18.10 PAYMENT PROCESSING OVERVIEW AND CONTROL REPORTS

The Payment Processing batch process is composed of eight major components:

1. Payment Generation — functions needed to issue warrants or direct deposits.

2. Payment Reconciliation — functions needed to perform payment redemption and process out of system payments.

3. Payment Cancellation — functions needed to cancel previously issued payments.

4. Prenote Processing — functions needed to generate prenotes.

5. Transaction Set Processing — functions needed to transport payment and prenote transactions in both directions from MAIN FACS tables to the ODFI and the RDFI.

6. Escheat Processing — escheats unpresented and undelivered payments and generates appropriate accounting entries

7. Purge Processing — functions needed to purges records from specified tables.

8. Control Reports — reports generated as a result of various Payment Processing functions.

Each component is defined below.

Payment Generation

The R★STARS Payment Processing subsystem provides for the generation of three methods of payments: warrants, direct deposits, and wire transfers. It allows for (a) payments to be generated through the regular nightly Payment Processing cycle, (b) payments to be generated through a daily expedite cycle, (c) payments to be prepared manually and input into R★STARS, (d) payments to be input, but placed on hold, or (e) payments to be generated during the day through a decentralized printing process. Additionally, users may determine how payments are consolidated. A single payment can be generated for each document/vendor combination or multiple payments for a vendor can be combined across documents, agencies, and/or funds to produce one payment.

The Payment Distribution Type (PDT) determines the method of payment as 'W' — check/warrant, 'X' — wire transfer, or 'D' — direct deposit. It determines how payments will be consolidated for payment. The PDT is also a code which is used by the Payment Processing subsystem to specify special handling needs. For example if certain types of checks, such as medical payments, need to be separately grouped, these medical payments could be assigned a

specific PDT code. The Disbursement Method Indicator (DMI) determines if the payments are 'M' — manual checks, 'R'— included in the regular nightly payment cycle, 'E' — included in an expedite run, 'L' included in the decentralized printing process, or 'H' — are placed on hold at this time.

The Payment Processing component is run twice each day. The first run occurs during the work day and processes transactions where the DMI has been coded or changed to 'E' (expedite), and entered in Edit Mode 2 or processed by an earlier run of IEU. The second run occurs at night and processes all transactions that are ready for payment.

The core Payment Processing subsystem includes several routines or steps, each performing a unique function. The nature of the subsystem is such that the editing, processing and generation of the payments are performed through a series of steps. The following is a list of steps in sequential order followed by a brief description and in general what processing occurs at each step.

- Edit STAR Offset TIN File
- Load STAR Offset TIN Table
- Extract Payment Records
- Check for Errors
- Look up Vendor Information
- Sort Transactions
- Perform Cash Control Fund Edits
- Perform Appropriation Fund Edits
- Check for Zero/Negative Amounts
- Process Taxable Travel Withholding
- Process Backup Withholding
- Process Agency Accounts Receivable Offset
- Set Action Code for Partial/Full Paid Document
- Assign the Payment Number
- Summarize Taxable Travel
- Update Payment Processing Control and Cancellation Tables
- Update EFT Event Table and Generate Transactions
- Sort 'IN' File
- Update Accounting Event Table and IT
- Generate Accounts Payable Liquidation Transactions
- Summarize Payment Liquidation Transactions
- Update Remittance Advice Print Table
- Generate Warrant Print File
- Update EFT Remittance Tables
- Produce Warrant and Remittance Extract
- Purge Warrant Print
- Prepare EFT Payment File

- Update Transmittal Table
- Generate the Warrant and Direct Deposit Registers

Edit STAR Offset TIN File: The payments to vendors can be offset by the Treasury's State Treasurer Accounts Receivable System (STAR) and/or by the Garnishment and Levy System (GAL). Treasury sends the potential offset Tax Identification Numbers (TIN) for both STAR and GAL on a daily basis to MAIN. This process edits both the STAR TIN file and GAL TIN file based on a system parameter. The preliminary edits which include checking for first TIN digit ('2' or '3'), alphanumeric edit, number of records versus the trailer record count, etc. are done by this step. Only the correct ones are passed to the next step, Load STAR Offset TIN table.

Load STAR Offset TIN Table: The correct offset TIN entries are received from the previous step and loaded into either the STAR TIN table or GAL TIN table. This step loads to either the STAR TIN table or GAL TIN table depending on a system parameter. The old entries are deleted from the offset tables and populated with the new TIN numbers. The SAI bypass codes are maintained at a Batch Agency level. These TIN numbers and SAI bypass codes are used later in the Payment Processing to convert an EFT with a potential offset to a warrant.

Extract Payment Records: The first thing the Payment Processing cycle does is extract from the Internal Transaction (IT) file those transactions ready for payment. The transactions must meet the following criteria in order to be extracted: the PDT must be valid in the D50 PDT Profile; the PDT/DMI/Warrant Number combination must be valid; the document must be fully approved; the transactions must be error-free; and the payment Due Date has arrived (including those payments which meet the advance days criteria set on the 97 System Management Profile). The DAFR3501 Payment Extract Control Report is generated and displays total counts and amounts for transactions on the IT file, extracted for expedited and regular payments, and transactions bypassed. The DMI must equal M, R or L for a regular cycle and E for an expedite cycle.

Check for Errors: After the Payment Work table is extracted in the previous step in sequence by Document ID and Vendor, this table is examined. The payments which are extracted includes data that may be in error (edit mode = "3"). This is done in order to evaluate whether a payment can be made. At a minimum, all transactions for a vendor/document combination must be paid together; and as such, if one transaction is flagged "in error" the entire document/vendor will be flagged as non-payable. In addition, users may, optionally, designate that the entire document must be "paid in full" regardless if multiple vendors are receiving payment from the same document. In some cases there could be multiple vendors paid from a single document. This would mean that when there are multiple vendors paid with a single document, the entire document must be error free in order for any vendor to receive a payment. The document cannot be partially paid. The control report, DAFR3521 Payment Error Comparison Processing, displays the Payment Processing errors, the document number, vendor number, document or vendor amount or transaction amount for each transaction not paid.

Look up Vendor Information: The current name, address and PDT of vendors to be paid is looked up to ensure that payments go to the latest address. There is no control report for this step. This process also determines if the vendor is eligible for backup withholding.

Sort Transactions: The transactions which have not been flagged "in error" are sorted. Two profiles determine how the payments get sorted. The D50 Payment Distribution Type (PDT) Profile contains indicators that determine how the transactions are combined for payment. The D55 Payment Processing Control Profile allows the users, systemwide, to define the elements included in the sort criteria. For example, the payments may be sorted first by agency, then PDT, then vendor and document. During this step the combining indicators on D50 are looked up and the sort key on D55 is retrieved, and the payments are sorted.

Perform Cash Control Fund Edits: The error-free Payment Work transactions are compared against data in the Cash Control financial table to perform fund control edits for the Payment Cycle. If there are not enough funds in cash available to cover a payment, a warrant will not be generated. If the Automated Payback Processing is implemented and there are enough general funds receivable to make up the difference, the Payment Work transaction is updated to reflect the amount to be borrowed. The borrowing is done by the next step, Perform Appropriation Fund Edits. Any transactions that fail the fund control edits (and, therefore, the entire document to which they belong) will not continue through the remaining Payment Processing steps.

Perform Appropriation Fund Edits: The sorted error-free Payment Work transactions are verified to ensure there is adequate funding within the appropriation to make the payment. The Appropriation financial table maintains appropriation balances by appropriation and is used to determine available appropriation balances by appropriation. Any transactions that fail the fund control edits (and, therefore, the entire document to which they belong) will not continue through the remaining Payment Processing steps.

Check for Zero/Negative Amounts: Once the transactions are combined and the payments are sorted, Payment Processing verifies that the payment amounts do not result in negative amounts. The control report, DAFR3601 Payment Transactions with Negative or Greater Than Authorized Balances, displays by document ID, the vendor number, vendor address, pay-in-full indicator and number of transactions not paid because of a negative payment.

Process Taxable Travel Withholding: Process all the error free taxable travel related Payment Work rows based on object code and create taxable offsets and a detail HRMN file. This step abends when it encounters a payment with more than 999 invoice line items. The system calculates the threshold date for warrants based on State working days and for EFTs based on State and Federal/Reserve working days.

Process Backup Withholding: This process provides for withholding a specified percentage from a vendor's payment if the vendor is subject to 1099 reporting and has been identified by the IRS as subject to Backup Withholding.

Process Agency Accounts Receivable Offset: The purpose of this step is to adjust disbursements for vendors that are subject to Agency accounts receivable in R★STARS. A payment work (PW) record will be inserted into the Payment Work table representing the calculated Agency accounts receivable amount.

Set Action Code for Partial/Full Paid Document: As described previously, documents may either be paid in part or may be paid in full. Whenever a payment is made on a document that document is updated with an action code, indicating full or partial payment. The Action Code value is defined in the D53 Titles Profile. This step checks the Payment Work transactions to determine if the documents have been fully or partially paid and updates the Document Tracking table with an action code for full or partial payment. There is no control report for this step.

Assign the Payment Number: All transactions still qualifying for payment at this point are, now, assigned a payment number. Payment numbers are assigned according to the Payment Method on the D50 PDT Profile. Direct Deposit (Pmt Method = 'D') payment numbers begin with the "Next Dir Dep Seq No" maintained on the D72 Bank Account Number Profile. Check (Pmt Method = 'W') numbers begin with the "Next Available Warrant No" maintained on the D72 Bank Account Profile. Finally, wire transfers (Pmt Method = 'X') are assigned a payment number equal to the "Current SM Date" on the 97 Profile plus a three digit sequence number. After all payments have received their assigned payment numbers, the next available warrant and direct deposit numbers are reset on the D72 Bank Account Profile. The control report, DAFR3641 Payment Number Assignment, displays the payment numbers assigned according to the Payment Sort Key values in D55 Payment Processing Control Profile.

Summarize Taxable Travel: This process combines the PRISMDET file created from the Taxable Travel Withholding process above and cancel requests from the Process Cancellation Requests discussed later in this section to generate a summarized file for HRMN.

Update Payment Processing Control and Cancellation Tables: Another step in the cycle is to update the payment control tables with the latest payment information. This step is necessary so that on-line inquiry into payment/vendor data is current. It also allows for such processes as payment reconciliation and payment cancellation to occur. This step selects all records from the Payment Work table which were not flagged as errors during the payment cycle. For each payment retrieved, this process adds a record to the Payment Control table. For each transaction related to that payment, this process adds a record to the Payment Cancellation table. This step also updates the Document Header table record associated with the payment.

Update EFT Event Table and Generate Transactions: The EFT payments can be further summarized to initiate one or more EFT payments per vendor bank account per day per ODFI per remittance delivery method. The ODFI Bank ID is derived from the batch department for MAIN-FACS generated payments and EFT Source for PFOS payments and the right ODFI Bank ID is populated in Payment Control table. The EFT combine indicator on D58 EFT Processing

Control Profile decides whether to combine EFTs or not. The EFT Event table contains the information to generate the EDI file for transmittal to Bank. The EFT History table contains the information to keep track of the life cycle of an EFT payment. This process looks at all EFT records in Payment Control table and populates the EFT Event table and EFT History table. The next EFT Event Number is picked from ODFI Bank table for MAIN-FACS payments. For PFOS payments, the warrant number becomes EFT Event Number. The EFT sequence number is set to 0001 in the EFT History table as this is the first event. The EFT sequence number is incremented for all subsequent events.

If the payment amount in Payment Control table is less than zero, no Event number is generated. However, the payment status is updated to 'Paid' and an error report is generated. The redemption transaction will not be generated. If the Payment Control amount does not match the Payment Cancel amount, an error report would be generated. However, the EFT Event number with the Payment Control amount would be assigned, payment status is updated to 'Paid', and redemption transactions would be generated with the Payment Cancel amount.

The EFT Agency Reclass table is populated for all EFT payments by looking at the Payment Control and Payment Cancel tables. This table would be used by agencies to reclass funds from the EFT clearing fund to the individual coding block, for returns, reversals, reclamations, returned reversals and returned reclamations. Additional information about the EFT clearing fund is explained in the Payment Reconcilation component earlier in this section.

Sort 'IN' File: This step accepts the sorted 'IN' transaction file and generates a summarized transaction. This results in posting summarized entries to financial tables

Update Accounting Event Table and IT: The Internal Transaction (IT) file and the AE table are updated with the assigned payment numbers. Every transaction for each payment is updated. This step allows for the payment transaction(s) on the IT file to be written to the History file. It also updates the Document Header and Vendor Header tables to indicate the payments have been processed. The control report, DAFR3661 Accounting Events and Internal Transaction File Update Control Report, displays the counts of various types of records read and updated including: payment work rows, accounting event records, internal transaction records, document header rows, vendor header rows, and internal accounting records.

Generate Accounts Payable Liquidation Transactions: This step selects all records from the Payment Work table which have a non-blank payment number and generates a payment liquidation transaction. This step of the process will generate a transaction to update the R★STARS financial tables. Generally, this transaction will liquidate the vouchers payable account and establish payments outstanding. The payment liquidation transaction code is initially received from the transaction code used to record the vouchers payable. There is no control report for this step.

Summarize Payment Liquidation Transactions: This step summarizes all the sorted payment liquidation transaction records from the previous step and generates summarized accounting transactions which would then be batched and fed to the IEU process. The control report, DAFR368S Payment Liquidations Transactions Summary, is generated by this step.

Update Remittance Advice Print Table: This step reads all the sorted remittance advice file records and updates the remittance print table.

Generate Warrant Print File: This step selects all error free records from the Payment Work table which have a non-blank payment number and non-blank bank ID and sorts them into payment sequence and creates invoice print and warrant print records. This process also updates the remit print table for interface records and creates a remit print record from the ADPICS notepad table. This step ensures that the invoice record type is set to a proper value and populates the invoice number for certain adjustments.

Update EFT Remittance Tables: This step reads the existing Invoice Print and Remittance Print tables and populates the EFT Remittance Invoice and EFT Remittance Text tables for all EFT payments.

Produce Warrant and Remittance Extract: This step produces warrant, invoice and remittance advice interface files, which are transmitted to Treasury for further processing. These three files would be generated only for warrants and wires.

Prepare EFT Payment File: This step generates the EFT payment file with all the information necessary for the ODFI Bank to process. Then the EFT Process table and ODFI Bank ID table is looked up, to derive the various elements. All EFT payments with transaction type = 'PM' (Payments) and Process indicator set to 'R' (Ready for processing) are picked up from the EFT History table to generate an EFT payment file. This table also looks up the EFT Event table. The addenda records are created in the appropriate format by looking at the EFT Remittance Invoice and EFT Remittance Text tables for all EFT payments with remittance advice delivery via bank. After generating the file, this step updates the process indicator to 'F' (File generated). This process creates one record per batch in EFT Batch Header table.

Update Transmittal Table: This step updates the Transmittal table for the following transaction set files (refer to Transaction Sets component discussed earlier in this section) as follows: 820 Payments, Prenotes, Reversals and Reclamations and 831 Application Control Totals file, based on the Translator output statistics file. This step also updates the Transmittal table based on the Translator output for all outbound pre-notes. This process is based on parameter ('EDI'/'FTP'), which updates translated date and time or FTP date and time.
Generate the Warrant and Direct Deposit Registers: At the end of the Generate Payments cycle a series of steps are run. These processes generate the following control reports:

- **Warrant Register Reports:** DAFR3651 Agency Payment Register by Vendor and DAFR3701 Agency Payment Register by Payment Number.
- **Warrant Transmittal Reports:** DAFR3671 Daily Systemwide Payment Transmittal Report and DAFR3672 Daily Agency Payment Transmittal Report
- **EFT Control Reports:** DAFR3055 Vendor – EFT Rejects and DAFR3180 R★STARS EFT Event Details by Batch Agency

A description of each control report can be found in the discussion of Control Reports at the end of this section.

Cancellations and Reconciliations: In addition to the core Payment Processing steps described above in the Generates Payments component, the overall Payment Processing subsystem provides for the functionality to **cancel payments** and to **reconcile** payments redeemed through the banking system. R★STARS provides for payments to be cancelled in one of four ways: single payment cancellation, by a range of payment numbers, by document number, or by appropriation ranges. These functions are explained later in this section.

Transaction Set Processing

In order for MAIN EFT data to be sent to an ODFI or vice versa, it is necessary that translator software be utilized to convert the data from MAIN into a standardized syntax. The translator software generates transaction sets in order to accomplish the transporting of EFT payments, prenotes (discussed later in this section), notification of changes (NOCs), returns, reversals, ~~and~~ reclamations, and cancellations.

The following FEDI (Financial Electronic Data Interchange) transaction sets are briefly described below:

820 Payment Order/Remittance Advice: This transaction set will be used to make payment, or make a payment and send a remittance advice. This transaction set will be also used to initiate prenotes and reversals/reclamations.

824 Application Advice: This transaction set will be used to report the results of an application system's data content edits of transaction sets. This transaction set will be used by the ODFI to inform the edit results on transaction set 820 and 831.

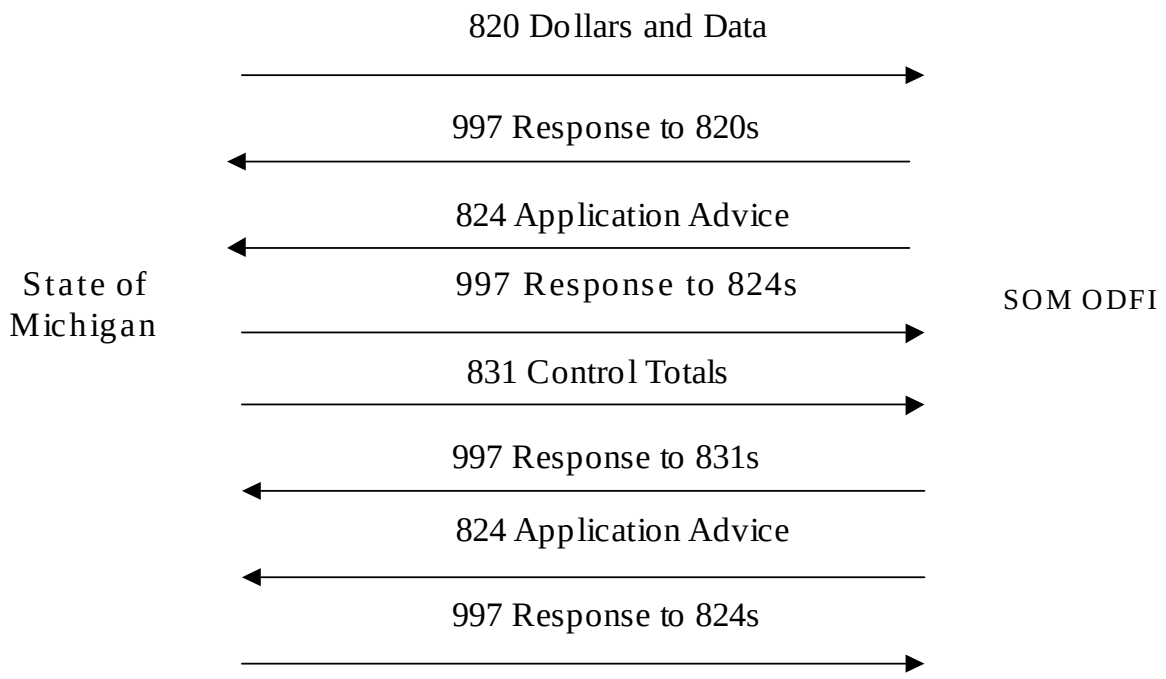
831 Application Control Totals: This transaction set will be used to transmit totals associated with a collection of like transactions. This transaction set will be used by MAIN FACS to report control totals for transactions in 820. Further, this will be used by the ODFI to release payments to the NACHA network.

827 Financial Return Notice Transaction: This transaction set will be used to report the Returns or Notice of Changes to the Payment Order/Remittance Advice Transaction Set (820).

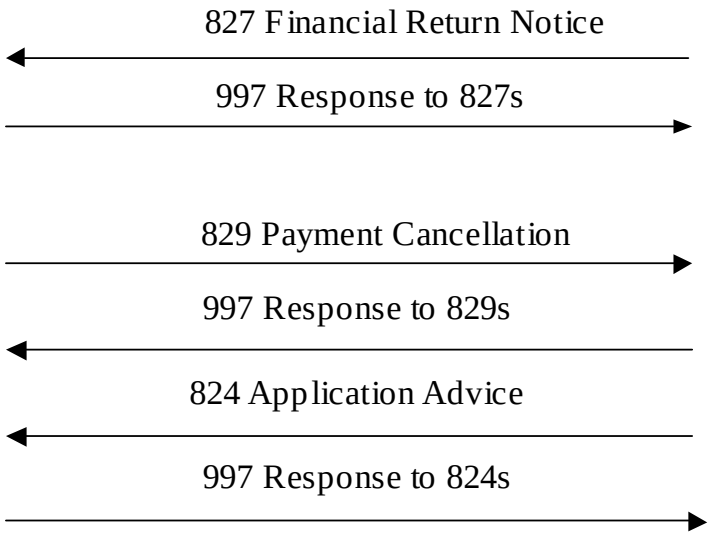
829 Payment Cancellation: This transaction set will be used to cancel a single payment or entire payment file sent to the ODFI. This transaction set will be sent after successfully processing 824 for 831 (after finishing the complete EFT cycle). The 829 transactions will be sent to the ODFI Bank to cancel individual electronic payments and not an entire batch of payments. The 829 transactions will be used to cancel EFTs generated and accepted by the ODFI Bank from the previous batch cycle only.

997 Functional Acknowledgement: This transaction set will be used to define the control structures for a set of acknowledgements to indicate the results of the syntactical analysis of the transaction sets. This does not cover the semantic meaning of the information encoded in the transaction sets.

Standard EDI Process



Exception EDI Process



Payment Reconciliation

R★STARS provides sophisticated functionality related to the process of redeeming outstanding payments or otherwise changing the status of outstanding payments.

The following functionality is available in the R★STARS payment redemption processing:

- Automatically clear outstanding payments and direct deposits based on electronic information from the banking system.
- Update the status of outstanding payments to various status values including Stop Payment, Replacement, Payment Undelivered, and Paid.
- Ability to identify new warrants as replacements.
- Generate financial transactions to transfer outstanding payments into the specified accounting distributions and subsequently to other accounting distributions.
- Generate financial transactions to transfer outstanding payments into a specified accounting distribution and subsequently to another accounting distribution.
- Provide stop payment information in an electronic format to the State's servicing bank.

The following is a list of steps followed by a brief description and what processing that occurs at each step.

- Process Other System Warrants
- Process Other System Warrant Interface Report
- Update EFT/Wire Transfer Payment status to 'P'
- Set Warrant Writing Indicator
- Reformat Daily Bank Tapes
- Perform Payment Redemption
- Generate EFT Settlement Transactions
- Sort 'IN' File Record
- Generate Payment Redemption Error File

Process Other System Warrants: This step accepts payment data where another computer system has issued the payment. Specifically, this process validates all input payment transactions, reformats and adds the payment information that is approved for posting to the Payment Control table and Payment Cancellation table.

Process Other System Warrant Interface Report: This step generates a summary and control report of all errors detected by the previous step.

Update EFT/Wire Transfer Payment status to 'P': This step reads records from the Payment Control table for wire transfers in status issued and payment redemption transaction not generated. It updates the status to 'P' for each record.

Set Warrant Writing Indicator: This step reads all warrant records from the treasury file and updates the Treasury status to 'W' in the Payment Control table.

Reformat Daily Bank Tapes: This step produces one output file of all input "Daily Bank Tapes" reformatted to accommodate direct deposit information.

Perform Payment Redemption: This step reads information on the Payment Control table for payments that are cleared manually for reconciliation. This process allows for the automatic updating of the status for outstanding payments that have been cleared by the banking system. Each day the State will receive information on electronic media identifying the total amount of warrants paid by the bank. The Daily Bank Tape is reformatted and sorted in the Sort 'IN' File process (described later in this component) and presented as input to this process as the "Sorted Daily Bank File". The "cleared" warrants (automated redemption process) will be matched against all "issued" warrants on the Payment Control table. Those warrants that satisfy the matching process will generate accounting Interface Transactions if the State Treasurer is using R★STARS to maintain the State's cash balances. Those that do not satisfy the matching process will be recorded on the Payment Redemption Error file.

The Payment Redemption Error file is also used as input to this process. Records rejected from the prior day's processing are again cycled in an attempt to be matched against the Payment Control table. The Payment Redemption Error file is logically merged with the Daily Bank Tape for processing and is sorted by payment number. In addition, Interface Transactions will be generated for records on the Payment Control file that were "manually" cleared. This manual process is used for those issued warrants on the Payment Control table for which no automated "cleared" warrant (Bank Tape) record is expected. Payment records on the Payment Control table are manually cleared during the day by an on-line update process. This manual process is also used to generate redemption accounting transactions for wires, which get paid on the settlement date.

This step also produces two control reports. The first is DAFR3804 Payment Redemption List of Good Manual Clears, which summarizes all of the input records and shows the total dollar

amount of manually cleared payments along with other payment redemption information from the Payment Redemption Error file that have been flagged for deletion. The second control report, DAFR3801 Payment Redemption Error Report by Bank ID/Warrant Number, displays all of the outstanding records which were not matched to an outstanding payment in R★STARS.

Generate EFT Settlement Transactions: This step looks at records in EFT History table with transaction type set to 'PM' (Payment), transaction generated indicator set to 'N' and process indicator not set to 'J' (Rejected by ODFI Bank), and effective date less than or equal to 97 system management date and generates EFT Clearing fund settlement transactions.

Sort 'IN' File Record: This step produces a sorted 'IN' file from the 'IN' records output by the Perform Payment Redemption step listed above.

Generate Payment Redemption Error File: This step prepares a hard copy detail listing of the current payment redemption error file, sequenced by clear date and warrant number. The first two characters of the warrant number is the Bank Type. The report produced differs from the payment error report in the sort sequence.

EFT Generation and Clearing Fund

In the nightly batch cycle EFTs are generated three business days in advance of the settlement date. For example, a Monday night MAIN FACS batch run would result in EFTs that would settle on Thursday. When an EFT is generated redemption transactions occur and the funds are moved into the EFT Clearing Fund. The redemption occurs in the second cycle of the batch in batch agency ZZA with the redemption transaction code that is on the original payment transaction. For example, transaction code (TC) 395 is the redemption TC for TC 222.

The funds are moved into the EFT Clearing Fund with TC 375, index 99840, PCA 99840, comptroller object and agency object 0974. The D23 Fund and 20 Appropriation Numbers are 9840 and 99840 respectively. Document type ZL is used on the redemption TC and the TC 375.

On the settlement date a system generated TC 375R is generated to move the money to the payee's bank (RDFI). This transaction occurs in the first cycle of the batch in batch agency ZZA with document type ZM. In a perfect situation the effect of these entries will result in a zero balance in the EFT Clearing Fund. However, if there are reversals, reclamations, returns or rejections agencies will need to process entries to clear the EFT Clearing Fund. A transaction that occurs as a result of a reversal, reclamation, return, or rejection uses a document type ZN.

EFT Reconciliation/Adjustments

Agencies should review the DAFR3051 Vendor – EFT Returns/Reversals /Reclamations/NOC's/Cancellations (includes prenote returns/NOC's)~~otification of Changes~~ report daily. If this report shows returns, reversals, or reclamations, EFT Clearing Fund entries need to be made. For assistance in making the necessary clearing fund entries or any other payment processing questions, users should contact the MAIN Help Desk as follows:

The MAIN Help Desk provides assistance to all MAIN users.
It is available from 7:00 AM - 5:00 PM.
Phone: 373-6222 for Lansing users
Phone: 1-800-856-MAIN (6246) for users outside Lansing.
TTY: (517) 241-7725

Payment Cancellation

The Payment Cancellation Subsystem provides the capability for the payment reconciliation process to consider cancelled payments. There are four primary methods used to cancel an existing payment.

The 47A Warrant Status Maintenance screen allows the cancellation of a single payment number. The 45 Document/Payment Range Cancellation Profile allows the cancellation of multiple payments, either by specifying an existing range of payments, canceling all payments for a specific document or canceling all documents for an appropriation range. The Payment Cancellation step, Process Cancellation Requests, processes on-line requests for payment cancellations indicated in the Payment Control table. Cancellation requests may also be sent via batch interface. The Payment Cancellation Update step reads a file of properly formatted payment cancellation requests (from Treasury, for example) and updates the Payment Control table. Several columns are updated for rows on the Payment Control table that match against the input file. A control report is generated for all cancellation requests. The steps are:

- Perform Payment Cancellation Update
- Perform Payment Cancellation Extract
- Process Cancellation Requests
- Produce Control Reports
- Process Input File for EFT Returns and NOCs
- Process EFT Reversal Requests and Generate Reversal File
- Produce Outstanding Warrants Report

A brief description of each step is included in the following paragraphs.

Perform Payment Cancellation Update: This step reads a file produced by the State treasurer containing payments that need to be cancelled. It then processes these payments against the Payment Control table to update the payment cancel information. The statewide control report, DAFR3751 Payment Cancel Interface – Warrants Canceled/Undelivered, displays any records with errors that prevented processing.

Perform Payment Cancellation Extract: This step reads the extract file from the step above, Perform Payment Cancellation Update, to produce control report DAFR3761 Agency Payment Cancel Interface – Warrants Canceled/Undelivered, an Agency version of DAFR3751.

Process Cancellation Requests: This step processes cancellation and EFT return requests which have been made during the day and generates an 'IN' record for each transaction associated with a payment, range of payments, range of documents or range of appropriations that can be successfully cancelled. The control report, DAFR3221 Payment Cancellation Request – Daily Activity Report, displays information for payment cancellations.

Produce Cancellation Reports: This step reads the sorted cancellation extracted file created by the Process Cancellation Requests step above to produce control report, DAFR3252 Agency Payment Cancellation Daily Activity.

Process Input File for EFT Returns and NOCs: This step reads the inbound input file for returns and notification of changes. For a description of EFT Return reason codes, see R★STARS Data Entry Guide, Chapter 9, Section 9.6. This step validates these inbound records, populates the EFT History table, and generates EFT clearing fund transactions. The payee Financial Institution (FI) information is updated based on the inbound notification of change records. This step updates the EFT status in Payee FI table to '4' (Returned) for all Returns where the FI information in the Vendor file matches with the EFT History table. This step also creates file extracts to generate Returns and NOC outbound extract for PFOS payments and generates Statewide Summary and Agency versions of reports for all processed Returns and NOCs and erred Returns and NOCs.

Process EFT Reversal Requests and Generate Reversal File: This step looks at the approved EFT transaction types in the EFT Pending Request table, validates them and creates an entry in the EFT History table and then creates an outbound file that will be fed to the Translator to generate an EDI file for transmittal to the ODFI Bank. This step ~~also~~ generates the appropriate EFT Clearing fund transactions, creates file extracts to generate Reversal and Reclamation outbound extract for PFOS payments, and generates Agency version reports for all processed Reversals and Reclamations. This step also converts approved cancellation requests, which are not picked up in the prior batch, to reversal requests with process indicator set to waiting for treasury approval.

Produce Outstanding Warrants Report: This step produces the control report, DAFR8161 Payment Status Detail Activity Report for outstanding warrants by agency and warrant number. Elements on the report include warrant amount, warrant date, and vendor number and name.

Prenote Processing

A Prenote (or prenotification entry) is a non-dollar transaction, which may be used by an Originator to verify with an RDFI that the routing transit number, account number and account type on an entry are valid. State policy requires that a credit be initiated for the Prenote process.

RDFIs must return entries that are not posted to Receiver's accounts. A Prenote return occurs when the RDFI advises the originator not to initiate the subsequent live entry. Entries must be returned for valid reasons. Examples would be an account was closed, invalid account number, or a duplicate entry. The steps are:

- Update Payee EFT Status for Prenote Returns and NOCs
- Generate Prenote

A brief description of each step is included in the following paragraphs.

Update Payee EFT Status for Prenote Returns and NOCs: This step updates the EFT status in Payee FI Account table to 'Returned' for Prenote returns. If this is a prenote return, the Prenote Data table gets updated after the information on the Payee FI Account is matched with the information returned by the bank. This step makes changes to FI information in the Payee FI Account table for all Prenote NOCs (except C04 which is a name change). For a description of EFT NOC Return reason codes, see R★STARS Data Entry Guide, Chapter 9, Section 9.6. The NOCs and Returns for Payments will be picked up by the "Process Input File for EFT Returns and NOCs" step (refer to Payment Cancellation component) for further processing. This step also updates the status in the Payee FI Account table to 'EFT Ready' for all prenotes that have not resulted in a Return or NOC after Prenote Advance days.

Generate Prenote: After generating the Prenotes in a file format that will be fed to the translator to generate EDI output, this step updates the indicator to 'Prenote generated' and also populates the Prenote settlement date. This step also produces a control report for all out-bound Prenotes. The generated file would be fed to the Translator to generate a file in EDI format for transmittal to the bank.

This step also looks at all payee FI information records with EFT status set to 'Prenote generated' and updates the EFT status to 'EFT Ready', if the current 97 system management date minus pre-note settlement date is beyond the allowed EFT payment banking days as defined in D54 Profile. This step generates prenote file format for PFOS systems. This step validates the Prenote file send by PFOS systems and generates a Prenote file. The generated file would be fed to the Translator to generate the file in EDI format for transmittal to the bank.

Escheat Processing

Escheats refers to personal property tangible and intangible, when the owner does not lay claim against such property for a continuous period of time. The period of dormancy, subsequent to which property may be escheated, varies by the type of property involved and is defined by federal and state regulations. Holders may be unable to present a claim against their property in an event such as death, or there may be an inability to contact the holder at his/her last known place of residence.

Selection Criteria for Escheating Payments: Before escheating a payment, that payment has to qualify for escheating based on regulatory and other State defined criteria. The following criteria must be met by a payment to be selected for escheating:

1. Payment must be a warrant or an EFT;
2. Payment must have a Payment Status of 'I' (Issued), 'S' (Stopped) or 'U' (Undelivered) if a warrant;
3. Payment must not be on the Payment Redemption Error file; and
4. Payment must have a Warrant Written Date which is less than the Current System Management Date less the number of days defined on the D55 Payment Processing Control Profile.
5. Payment must not have a Request Status of 'C' Cancel or 'V' Reversal/Cancellation Request.

Generation of Financial Transactions: Once a qualifying payment is escheated, appropriate accounting transactions have to be processed by R★STARS to reflect the escheating of that payment. The following steps are performed by the Escheat steps to generate the appropriate financial transactions:

1. Existing financial records for a qualifying payment are retrieved from the Payment Cancel table;
2. Transaction Codes to be used on the generated Escheat transactions are retrieved from the D55 Payment Processing Control Profile;
3. Obtains RTIs, identifying various coding elements to be used on the generated Escheat transactions, from the D55 Payment Processing Control Profile;
4. Obtains Action Codes to update Document Tracking for escheated payments, from the D55 Payment Processing Control Profile;
5. Accesses D54 System Parameter Profiles to obtain other data needed for processing the generated Escheat transactions, such as Batch Type; and
6. Feeds the generated financial transactions into the R★STARS Input, Edit and Update cycle for posting to the financial tables.

Level 1 Escheat Processing: The Escheat steps provide the capability for a two-level Escheat process, with each level generating a specified set of financial transactions. Only Level 1 will be used in the State of Michigan. Level 1 of the Escheat process is designed to identify qualifying

payments and then escheat those payments. The accounting impact related to Level 1 is to reduce Payments Outstanding at an Agency for the payment being escheated and transferring the associated balances to the Escheat Fund.

The Escheat process is a stand alone process and may be initiated on a monthly, quarterly or any other basis as chosen by the State. The process is initiated by turning on the level (Level 1 in the State of Michigan) prior to the nightly batch cycle. This is done by changing the Reference Data value to 'Y' (run the Escheat Level specified) on the D54 System Parameters Profile having Table ID of 'LVL1' and Key 1 of 'J392'. The Reference Data value will automatically be set back to 'N' upon completion of that night's Escheat run.

Escheat Interface File Generation: An interface file is produced on payments escheated for transmittal to outside entities as needed. The file includes summarized information on those payments escheated including warrant number, last known holder name and address and payment amount. For the State of Michigan, the interface file layout has been designed in compliance within guidelines provided by the Department of Treasury Escheat Division.

Escheat Affidavit Process: Prior to escheating a payment, the payment owner must be notified that his/her payment will be subject to escheating unless another action is taken against that payment. Notification has to be sent to the owner 120 days prior to which a payment would be escheated. An R★STARS process will produce an interface file of those payments on which a notification should be sent. The generated print file will be sent to one of the State's printers for the actual printing of the Escheat Affidavit form for subsequent mailing. The following criteria must be met by a payment to be selected for Affidavit processing:

1. Payment must be a warrant;
2. Payment must have a Payment Status of 'I' (Issued) or 'S' (Stopped);
3. Payment must have a Warrant Amount of $X (profile defined) or greater;
4. Payment must not be on the Payment Redemption Error file;
5. Payment must have a Warrant Written Date that is not less than 10/01/94 and a Warrant Written Date which is less than the Current System Management Date less the number of days defined on the D54 System Parameters Profile

The return address printed on each of the affidavits is based on the Batch Agency associated with a selected payment. The address used is that of Vendor ID/Mail Code '2999999999 / XXX', where 'XXX' represents the Batch Agency of the selected payment.

The steps for the Escheat function are:

- Generate Affidavits – Escheat
- Unpresented Payment Transactions
- Undelivered Payment Transactions

A brief description of each step is included in the following paragraphs.

Generate Affidavits – Escheat: This step generates an interface file of payments to be escheated. The data contained in the file will be used to print Escheat Affidavit forms to be mailed to the last known holder of the payment to be escheated. Payments in Issued and Stopped status are selected for inclusion in the print file based on profile and system defined parameters. A control report, DAFR3961 Payments to be Escheated – Affidavit Generated Report, is also produced by the process to provide a listing of payments included in the print file.

Generate Unpresented Payment Transactions: This step escheats unpresented payments and generates accounting transactions to transfer the payment's associated balances from the accounting distribution into the Escheat Fund (Level 1 unpresented process). Payments in Issued and Stopped status are selected for escheating based on profile and system defined parameters. The step also updates the Payment Control table with relevant processing information including an update of the payment's status to 'E' (Escheated) and Transaction Generated Indicator to 'Y'. Control Report DAFR3921, XXX Days Unpresented Payments Escheated – Level 1 Report – Pmts With Warr Dt <= XX/XX/XX, provides a listing of the financial transactions generated for unpresented payments escheated. In addition, in conjunction with DAFM393, an interface file is produced to provide statutory required data related to unpresented and undelivered payments escheated. The step provides for a second level unpresented process. However, only Level 1 is used in Michigan.

Generate Undeliverable Payment Transactions: This step escheats undelivered payments and generates accounting transactions to transfer the payment's associated balances from the accounting distribution into the Escheat Fund (Level 1 undelivered process). Payments in Undelivered status are selected for escheating based on profile and system defined parameters. The step also updates the Payment Control table with relevant processing information including an update of the payment's status to 'E' (Escheated) and Transaction Generated Indicator to 'Y'. Control Report DAFR3931, XXX Days Undelivered Payments Escheated – Level 1 Report – Pmts With Warr Dt <= XX/XX/XX, provides a listing of the financial transactions generated for undelivered payments escheated. In addition, in conjunction with the Generate Unpresented Payment Transactions above, an interface file is produced to provide statutory required data related to unpresented and undelivered payments escheated. The process provides for a second level undelivered process. However, only Level 1 is used in Michigan.

Purge Processing

The purge processing deletes records from Payment Processing related tables. The records are deleted based on the retention period specified on D30 Purge Criteria Profile or D58 EFT Processing Control Profile. When data is deleted from EFT Event related tables, the purged data is retained as sequential file. However, data is not retained from the EFT Remittance Invoice and Text tables (just like Warrant Invoice and Text tables). The steps are:

- Purge Payment Control and Payment Cancel Records (D30 for both EFT and Warrant)
- Purge EFT Related Records (D58)
- Purge EFT Invoice and Remittance Details (D58)
- Purge Warrant Invoice and Remittance Details (D55)
- Purge Prenote Data Records (D58)

A brief description of each step is included in the following paragraphs.

Purge Payment Control and Payment Cancel Records: This step purges records from the Payment Control and Payment Cancellation tables based on established retention requirements.

Purge EFT Related Records: This step purges all the EFT related tables based on the purge date specified in the D58 EFT Processing Control Profile. The tables that are purged are: EFT Event table , EFT History table , EFT Payment Control Reference table , and EFT Batch and Document Keys table . This step reads the unloads of the tables to be purged, processes and creates two output files for each table – a file with purged records and a file with reload records. These files are used to reload the EFT tables.

Purge EFT Invoice and Remittance Details: This step purges records from EFT Remittance Invoice Details and EFT Remittance Invoice Text tables based on the retention period specified in the D58 Profile and the corresponding cycle number in the 97 System Management Profile.

Purge Warrant Invoice and Remittance Details: This step purges records from Warrant Remittance Invoice Details and Warrant Remittance Invoice Text tables based on the retention period specified in the D55 Payment Processing Control Profile and the corresponding cycle number in the 97 System Management Profile.

Purge Prenote Data Records: This process will be determined at a later date..

Control Reports

One of the functions of the Payment Processing subsystem is to generate several control reports. The control reports are summarized as follows:

Payment Generation Control Reports

- DAFR3051 Vendor EFT Returns/Reversals/Reclamations/NOC'S/Cancellations~~otification of Changes:~~
- DAFR3055 Vendor – EFT Rejects~~:~~
- DAFR3180 R★STARS EFT Event Detail by Batch Agency~~:~~
- DAFR3501 Payment Extract Error Control Report
- DAFR3601 Payment Transactions with Negative or Greater Than Authorized Balances~~:~~
- DAFR3641 Payment Number Assignment~~:~~
- DAFR3651 Agency Payment Register by Vendor~~:~~
- DAFR3661 Accounting Events and Internal Transaction Update Control Report~~:~~
- DAFR3671 Daily Systemwide Payment Transmittal Report~~:~~
- DAFR3672 Daily Agency Payment Transmittal Report~~:~~
- DAFR368S Payment Liquidations Transactions Summary~~:~~
- DAFR3701 Agency Payment Register by Payment Number~~:~~

Payment Reconciliation Control Reports

- DAFR3801 Payment Redemption Error Report by Bank ID/Warrant Number
- DAFR3804 Payment Redemption List of Good Manual Clears
- DAFR8051 Replacement Warrant Report

Payment Cancellation Control Reports

- DAFR3221 Payment Cancellation Request Daily Activity Report
- DAFR3252 Agency Payment Cancellation Daily Activity
- DAFR3751 Payment Cancel Interface – Warrants Canceled/Undelivered
- DAFR3761 Agency Payment Cancel Interface – Warrants Canceled/Undelivered
- DAFR8161 Payment Status Detail Activity Report

Escheat Processing Control Reports

- DAFR3921 XXX Days Unpresented Payments Escheated – Level 1 Report – Pmts With Warr Dt <= XX/XX/XX:
- DAFR3931 XXX Days Undelivered Payments Escheated – Level 1 Report – Pmts With Warr Dt <= XX/XX/XX:
- DAFR3961 Payments to be Escheated – Affidavit Generated Report

A brief description of each control report is included in the following paragraphs.

Payment Generation Control Reports

DAFR3051 Vendor EFT Returns/Reversals/Reclamations/NOC's/Cancellations~~otification of Changes~~: This report provides the Agency with details of the vendor EFTs returned by the receiving depository financial institution (RDFI), reversals, reclamations, ~~and~~ notification of changes (NOCs), and cancellations. The report also includes the prenote returns and NOCs. The report layout presents the Summary Totals of Vendor EFT returns, reversals, reclamations, ~~and~~ NOCs, and cancellations for every transaction type within the batch agency and is sorted by batch agency, transaction type, Bank ID and EFT payment number.

DAFR3055 Vendor – EFT Rejects: This report provides the Agency with details of the vendor EFTs rejected by the originating depository financial institution (ODFI). The state receives a data file from the ODFI that includes EFT rejected payments, rejected prenotes, rejected reversals, ~~and~~ rejected reclamations, and rejected cancellations. The report layout presents the summary totals of vendor EFT rejects for every transaction type within the batch agency and is sorted by batch agency, transaction type, Bank ID and EFT payment number.

DAFR3180 R★STARS EFT Event Detail by Batch Agency: This report lists the R★STARS EFT Event Details by Batch Agency. The report is sorted by batch agency, Bank ID and EFT payment number. This report provides a crosswalk of EFT payment numbers to EFT event numbers. When no records are processed, the report will produce the message 'NO RECORDS FOUND'.

DAFR3501 Payment Extract Error Control Report: This report summarizes the number of records extracted for payment. This report is sorted into three major headings (or columns) as follows: file totals, extracted totals, and bypassed totals. The subheadings (or columns) that are displayed within file totals are total count and total amount; extracted totals columns displayed are expedited count, expedited amount, regular count, regular amount, total count, and total amount; and bypassed totals columns displayed are total count and total amount.

DAFR3601 Payment Transactions with Negative or Greater Than Authorized Balances: This report displays those transactions where the vendor payment amounts nets to a negative balance or those with a payment amount greater than the authorized amount for the given bank ID. The transactions are displayed by document ID, the vendor number, vendor address, pay-in-full indicator, and number of transactions not paid because of a negative payment.

DAFR3641 Payment Number Assignment: This report displays the payment numbers of Warrants, EFTs and Wire Transfers for each Payment Processing cycle. The report is sorted by bank ID and then payment number (Warrant, EFT, or Wire Transfer) within each payment type.

DAFR3651 Agency Payment Register by Vendor: This report is a listing of those warrants generated in the nightly batch cycle (regular warrant run) and expedited warrant run. This report excludes manual and locally generated warrants. The reports displays warrants by major sort and includes the following elements: appropriated fund, fund, document number, fiscal year, employee sequence number, vendor number, name and address, warrant number, warrant date, and warrant amount.

DAFR3661 Accounting Events and Internal Transaction Update Control Report: This report is a summary of the update to the Accounting Event table and IT file. It displays the counts of various types of records read and updated including payment work rows, accounting event records, internal transaction records, document header rows, vendor header rows, and internal accounting records.

DAFR3671 Daily Systemwide Payment Transmittal Report: This report identifies all warrants, EFTs and wire transfers generated for each Payment Processing cycle. The warrant range identifies the lowest and highest warrant number processed during the Payment Processing cycle for the specified payment classification. A warrant having a number between the range shown may or may not have been processed during the Payment Processing cycle.

DAFR3672 Daily Agency Payment Transmittal Report: This report identifies all warrants, EFTs and wire transfers generated by a specific Payment Processing cycle. It displays summary total information by agency and major sort on the warrants produced. The last page of the report provides statewide amounts for the items listed in the Statewide Summary Information section. This report is used primarily by agencies.

DAFR368S Payment Liquidations Summary: This report provides details of summarized liquidation transactions posted during the nightly batch cycle. The report is sorted by transaction ID (batch key) and current document number/suffix. Other elements on the the report include reference document number/suffix, vendor number/mail code, vendor name, transaction amount, reverse code, agency, index, PCA, appropriation year, fund, comptroller object, agency object, grant/phase, project/phase, agency code(1,2, or 3), bank ID, transaction code.

DAFR3701 Agency Payment Register by Payment Number: This report lists warrants generated in the nightly batch cycle. It excludes manual and locally generated warrants. Information is displayed by agency, major sort and warrant number. Elements on the report include warrant date, appropriated fund, fund, document number, fiscal year, employee sequence number, vendor number, name and address, and warrant amount.

Payment Reconciliation Control Reports

DAFR3801 Payment Redemption Error Report by Bank ID/Warrant Number: This report provides a cumulative listing of all payments which have erred from the Payment Redemption processing. Elements on the report include bank ID, warrant number, date cleared, warrant

amount, current effective date, create date, cycle number, paid by bank number, microfilm number, account real, error code and error description.

DAFR3804 Payment Redemption List of Good Manual Clears: This report lists the manual clearing of payment transactions in the nightly batch cycle grouped by warrants, EFTs, and wire transfers.

DAFR8051 Replacement Warrant Report: This report lists details or warrants replaced and the original warrant information associated with each replaced warrant.

Payment Cancellation Control Reports

DAFR3221 Payment Cancellation Request Daily Activity Report: This report identifies warrants canceled and the EFTs canceled or returned, either on-line or through batch, by user ID and bank ID. It is sorted by user ID, bank ID, and warrant number.

DAFR3252 Agency Payment Cancellation Daily Activity: This report is a listing of the cancellations generated with warrant number and vendor number. The fields displayed on this report are cancellation document number/suffix, bank ID, warrant number, warrant date, warrant amount, transaction amount, agency, document number, appropriated fund, fund, fiscal year, vendor number/mail code, and vendor name.

DAFR3751 Payment Cancel Interface – Warrants Canceled/Undelivered: This report lists all erred and successfully processed transactions from the Treasury Cancellation Interface file, which is processed during the nightly batch cycle. The Treasury Cancellation Interface updates warrant and EFT payment status codes for warrants canceled, warrants undelivered, EFTs canceled and EFTs undelivered. This report is used by the Department of Treasury and Central Control Agencies.

DAFR3761 Agency Payment Cancel Interface – Warrants Canceled/Undelivered: This report provides a listing, by Agency, of all erred and successfully processed transactions from the Treasury Cancellation Interface file, which is processed during the nightly batch cycle. The Treasury Cancellation Interface updates warrant and EFT payment status codes for warrants canceled, warrants undelivered, EFTs canceled and EFTs undelivered. This report is used primarily by Agencies.

DAFR8161 Payment Status Detail Activity Report: This report provides a listing of outstanding payments and summary totals for non-outstanding payments, by Bank ID, Direct Deposit Indicator and Payment Status. The last page of the report provides statewide counts and amounts for the items listed in the Statewide Summary Information section. Elements on this report include warrant amount, warrant date, and vendor number and name. This report is used by the Department of Treasury. Agency-level information is available from the DAFR 7310 Payment Status Report.

Escheat Processing Control Reports

DAFR3921 XXX Days Unpresented Payments Escheated – Level 1 Report – Pmts With Warr Dt <= XX/XX/XX: This report displays a detail listing of the transactions generated during the Level 1 escheat process for unpresented payments escheated. Unpresented payments escheated includes warrants having a payment status of 'I' (Issued) or 'S' (Stopped) prior to escheating. At least two transactions are generated for each payment escheated. The 'XXX' in the report title represents the minimum number of days for which a payment was unpresented prior to escheating. The XX/XX/XX is the maximum issue date, calculated based on 'XXX,' which a payment must have in order to qualify for escheating.

DAFR3931 XXX Days Undelivered Payments Escheated – Level 1 Report – Pmts With Warr Dt <= XX/XX/XX: This report displays a detail listing of the transactions generated during the Level 1 escheat process for undelivered payments escheated. Undelivered payments escheated includes warrants and EFTs having a payment status of 'U' (Undelivered) prior to escheating. At least two transactions are generated for each payment escheated. The 'XXX' in the report title represents the minimum number of days for which a payment was undelivered prior to escheating. The XX/XX/XX is the maximum issue date, calculated based on 'XXX,' which a payment must have in order to qualify for escheating.

DAFR3961 Payments to be Escheated – Affidavit Generated Report: This report display a listing of warrants for which an escheat affidavit was generated. An affidavit is generated for warrants escheatable in 'X' number of days (where 'X' is defined by regulatory requirements).

18.11 PAYMENT PROCESSING DATES

Use of effective dates and due dates for Payment Processing:

DATE NAME	DESCRIPTION	ACTION
Effective date	Identifies fiscal month and day the transaction is posted.	Leave blank R★STARS will default to current date
Due date	Identifies desired date for issuance	If EFT, enter desired settlement date (date funds are to be in vendor's bank account). Document must be posted three days before due date. If warrant, enter desired date to be printed on the warrant. Or leave blank--R★STARS will be issued in normal processing with that date. Document must be posted in R★STARS two days before the due date.